



CITY OF SANTA BARBARA

JOINT COUNCIL AND REDEVELOPMENT AGENCY AGENDA REPORT

AGENDA DATE: June 23, 2009

TO: Mayor and Councilmembers
Chairperson and Boardmembers

FROM: Housing and Redevelopment Division, Community Development
Department

SUBJECT: Redevelopment Agency Operating Budget For Fiscal Year 2010
And Associated Documents

RECOMMENDATIONS:

- A. That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Approving a Parking Operations Agreement for Parking Structure No. 2, Parking Structure No. 10, Parking Lot No. 11, Parking Lot No. 12, the Granada Garage Complex, the Railroad Station Parking Lots, and the Two Transportation Management Program Employee Parking Lots, Between the City of Santa Barbara and the Redevelopment Agency of the City of Santa Barbara for Fiscal Year 2010;
- B. That the Agency Board adopt, by reading of title only, A Resolution of the Redevelopment Agency of the City of Santa Barbara Approving a Parking Operations Agreement for Parking Structure No. 2, Parking Structure No. 10, Parking Lot No. 11, Parking Lot No. 12, the Granada Garage Complex, the Railroad Station Parking Lots, and the Two Transportation Management Program Employee Parking Lots, Between the Redevelopment Agency of the City of Santa Barbara and the City of Santa Barbara for Fiscal Year 2010;
- C. That the Agency Board amend the proposed Redevelopment Agency Budget to include \$192,000 to be used for various Parking Infrastructure Improvements in the Redevelopment Project Area; and
- D. That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Approving the Budget of the Redevelopment Agency of the City of Santa Barbara for Fiscal Year 2010.

DISCUSSION:

Operating Budget and Capital Program for Fiscal Year 2010

The City Council and the Redevelopment Agency Board held a public hearing on April 23, 2009, to discuss the Community Development Department's budget for Fiscal Year 2010. That public hearing also included a discussion on the Redevelopment Agency's Fiscal Year 2010 budget. The proposed final budget document resulting from the ongoing discussion is presented today for the City Council and Agency Board's consideration and is included in this report as an attachment to the resolution described in Recommendation C – the Revenues and Expenditures Summary. The proposed budget identifies the Redevelopment Agency's expected revenue for Fiscal Year 2010 as well as expected operating expenses and capital expenditures for the Redevelopment General Fund and Housing Program Fund. Detailed summaries of the Redevelopment Agency's proposed budget and current capital projects can be found on Attachments 1 and 2.

Parking Operations Agreement

In 1990, the Redevelopment Agency Board adopted a Parking Operations Agreement with the City of Santa Barbara for the operation of Agency-owned parking lots. This Agreement was adopted in order to clarify the respective ownership interests as well as the operation and maintenance responsibilities with respect to these parking facilities. The terms of the Agreement provide for the Agency Board and City Council to review and amend the Agreement, as appropriate, on an annual basis as part of the Redevelopment Agency's annual budget approval process.

Historically, the annual change in the document has been the amount that the Redevelopment Agency is required to pay to the City in response to Paseo Nuevo's Parking and Business Improvement Area Assessment (PBIA) and as described in the development's Construction and Reciprocal Easement Agreement. Paseo Nuevo's contribution to the shopping center's PBIA is capped at \$100,000, with the Redevelopment Agency obligated to pay the balance. The amount of the Agency obligation this year is \$81,323.37. No funds are transferred to the City for this obligation; the obligation is applied as credit to the City toward the City's ultimate purchase of Parking Structures 2 and 10.

A copy of this agreement has been delivered to the Mayor and Council separately and is available for public review in the City Clerk's Office and the Housing and Redevelopment Offices at 630 Garden Street, 2nd floor.

State Budget Crisis: Impact on the Redevelopment Agency

The continued State budget crisis raises concerns that the State may once again consider using local Redevelopment Agencies' funds as a means to fill the budget gap via an Educational Revenue Augmentation Fund shift, or ERAF. The State implemented an ERAF shift in Fiscal Year 2009 that was challenged in court by the California

Redevelopment Association (CRA). The CRA legal challenge was upheld and, at the direction of the California Redevelopment Association, the Agency's Fiscal Year 2009 \$1.4 million ERAF payment was not submitted to the County of Santa Barbara. As expected, on May 26, the State appealed the decision and a resolution could take months. Staff recommends maintaining the \$1.4 million for the possible Fiscal Year 2009 ERAF payment in a separate account until the legal issues are resolved. As discussed at the public hearing on April 23, Agency and Finance Department staff continue to recommend that \$1.5 million be set aside from Fiscal Year 2010 Budget for a possible ERAF taking by the State.

All indications from the California Redevelopment Association are that the State budget will not be passed until late summer or early fall. Agency staff is currently working with various City departments on developing a slate of capital projects for the Agency Board to consider in mid-August. At that time, possible community grant funding scenarios for Fiscal Year 2010 will also be discussed.

Staff recommends that the City Council adopt a resolution approving the Redevelopment Agency Budget for Fiscal Year 2010 and that the City Council and the Redevelopment Agency Board adopt resolutions approving the Parking Operations Agreement for Fiscal Year 2010.

ATTACHMENTS: 1. Redevelopment Agency Budget Summary
2. Redevelopment Capital Programs Summary

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SUBMITTED BY: Paul Casey, Deputy Director

APPROVED BY: City Administrator's Office

Redevelopment Agency Budget Summary

June 23, 2009

The following is a summary of the Redevelopment Agency's budget for Fiscal Year 2010.

Redevelopment Agency Fund 111

The Redevelopment General Fund is the Agency's general operating fund. The primary source of funding for the General Fund is tax increment revenue. Mid-year estimates of revenues from tax increment and supplemental taxes indicate that revenues for the year will exceed budgeted estimates by approximately \$1,463,728 for a total of \$15,878,128. Tax increment revenue (including both the Redevelopment and Housing portions) is projected to increase by almost 3 percent over the revised Fiscal Year 2009 of \$19,847,660 to \$20,421,800, based on real estate growth in the project area. Total revenue to Fund 111 is estimated at \$16,655,100 and is comprised of the following: tax increment (after 20 percent has been set aside for affordable housing in accordance with state law) conservatively estimated at approximately a 3 percent rate of growth at \$16,337,400; interest income of \$264,700; rental income of \$48,000; and, loan program income of \$5,000.

After accounting for operating expenses of approximately \$1,804,250, debt service of \$7,515,402, special project expenses of \$724,100 (shuttle bus contract, hazardous waste studies and mitigation, Cultural Arts District Promotion, and property management, etc.), an appropriated operating reserve of \$111,223, there will be approximately \$6,500,125 available for project and programs. When that figure is combined with estimated fund balance/carryovers from the RDA General Fund (\$1,650,000), interest accrued in the 2001A Bond Account (\$25,000) and the 2003A Bond Account (\$1,100,000) there will be approximately \$9,275,125 available for projects and programs.

The continued State budget crisis raises concerns that the State may once again consider using local Redevelopment Agencies' funds as a means to fill the budget gap via an Educational Revenue Augmentation Fund shift, or ERAF. The State implemented an ERAF shift in Fiscal Year 2009 that was challenged in court by the California Redevelopment Association. That challenge was upheld and at the direction of the California Redevelopment Association, the Agency's Fiscal Year 2009 \$1,400,000 ERAF payment was not submitted to the County of Santa Barbara. As expected, on May 26, the State appealed the decision and a resolution could take months. Staff recommends maintaining the \$1,400,000 for the possible Fiscal Year 2009 ERAF payment in a separate account until the legal issues are resolved. As discussed at the public hearing on April 23, Agency and Finance Department staff continue to recommend that \$1,500,000 be set aside from Fiscal Year 2010 Budget for a possible ERAF taking by the State. In addition, Debt Service Arbitrage at \$440,000, will need to be set aside to accommodate our 2001 Tax Allocation Bond Issuance. In addition, the City Council has recommended setting aside \$192,000 to be used for various Parking

Infrastructure Improvements in the Redevelopment Project Area. Once these three items are set aside there remains approximately \$7,143,125 available for Agency projects and programs.

Capital Projects Fund 311

The Capital Projects Fund accounts for redevelopment capital projects and is principally funded from revenues from Fund 111 that are moved over to project accounts in Fund 311 when budgeted. The fund currently includes eight project accounts that total approximately \$12,500,000 and include: Underground Storage Tank Abatement, Police Department Locker Room Upgrade, Fire Station #1 Emergency Operations Center, Fire Station #1 Remodel Account (one of two accounts), Property Opportunity Acquisition Account; RDA Project Contingency Account, Affordable Housing Contingency Account, and the Carrillo Recreation Center Restoration Project (one of three accounts) .

RDA - Housing Program Fund 112

The RDA - Housing Program Fund is used for the operating expenses of the Agency's Housing Program and to fund the construction and rehabilitation of affordable housing. Total revenue to Fund 112 is estimated at \$4,394,400 and is comprised of the following: tax increment of \$4,084,400; interest income of \$150,000; and loan program income of \$160,000.

After accounting for operating expenses of \$946,362, debt service on the St. Vincent's housing bond of \$640,250, non-capital equipment costs of \$2,500, and an appropriated operating reserve of \$80,000, there will be approximately \$2,725,288 in new RDA funds available for appropriation to affordable housing projects.

**Redevelopment Agency
Capital Program Summary
June 23, 2009**

ATTACHMENT 2

Project Name	Project Phase	Current Balance
West Downtown Neighborhood Improvements	Construction	\$3,500,000
West Beach Pedestrian Improvements	Construction	\$3,500,000
Fire Station #1 Renovation	Construction	\$866,200
Fire Station #1 Emergency Operations Center	Construction	\$333,800
Historic Rail Car Acquisition/Placement	Construction	\$114,400
IPM Sustainable Park Improvements	Construction	\$96,300
Carrillo Recreation Center	Final Design	\$6,220,000
Community Arts Workshop	Final Design	\$620,000
Westside Center Park Improvements	Final Design	\$226,100
Police Department Locker Room/HVAC Renovation	Preliminary Design	\$7,590,000
Plaza de la Guerra Infrastructure	Conceptual Design	\$2,282,800
Mission Creek Flood Control @ Train Depot	Concept Phase	\$2,500,000
Carrillo-Chapala Mixed-Use Project	Concept Phase	\$1,882,300
125 Calle Cesar Chavez Development	Concept Phase	\$1,460,000
Chase Palm Park Wisteria Arbor	Concept Phase	\$835,000
Mission Creek Flood Control Park Devo.	Concept Phase	\$760,000
Helena Parking Lot	Concept Phase	\$500,000
RDA Project Contingency Account	Ongoing	\$1,145,000
Visitor Center Condominium Purchase	Pending	\$500,000
Housing Opportunity Acquisition Account	Ongoing	\$366,500
Housing Fund Contingency Account	Ongoing	\$348,500
Lower State Street Sidewalks	Pending	\$335,000
Santa Barbara Children's Museum	Ongoing	\$0
	Total	\$35,981,900